

OSKALOOSA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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Oskaloosa Community School District
Board of Education and School District Officials
Year ended June 30, 2016

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 election)		
Carl Drost	President	2017
Tom Richardson	Vice President	2017
Neal Hadden	Board Member	2015
Shawn Moyer	Board Member	2015
Nik Rule	Board Member	2015
Kraig Van Hulzen	Board Member	2015
Shelly Herr	Board Member	2017
(After September 2015 election)		
Tom Richardson	President	2017
Shelly Herr	Vice President	2017
Carl Drost	Board Member	2017
Erik Edgren	Board Member	2019
Nicholas Hansen	Board Member	2019
Sharma Parlett	Board Member	2019
Kraig Van Hulzen	Board Member	2019
School District Officials		
Russell Reiter	Superintendent	2016
Chad Vink	District Secretary/Treasurer	2016
Greg Life	Attorney	Indefinite
James Hanks	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Oskaloosa Community School District
Oskaloosa, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District, Oskaloosa, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District as of June 30, 2016, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oskaloosa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of the Oskaloosa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oskaloosa Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 30, 2017

This section of the Oskaloosa Community School District's comprehensive annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. This analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Oskaloosa Community School District implemented new reporting standards for the 2003 fiscal year that involved significant changes in content and structure of the reports. Because of this change, the current reports can be more easily compared to the prior years.

FINANCIAL HIGHLIGHTS

The District has now fully completed all of the major construction, renovation, and repair projects planned for the period from 2000-2007. To finance these projects, the District issued capital loan notes in the amount of \$2,530,000 in 2002-2003, Local Option Sales and Services Tax Revenue Bonds totaling \$5,760,000 in 2002-2003, Local Option Sales Tax Bonds in the amount of \$13,140,000 in 2003-2004, and Local Option Sales Tax Bonds in the amount of \$1,910,000 in 2005. Bonds associated with the School Infrastructure Local Option Sales Tax were refinanced in 2008 and retired in 2012. The bonds associated with the Local Option Sales and Services Tax for the City of Oskaloosa and Mahaska County were refinanced in 2011 and, as provided by an agreement among the parties, are scheduled to mature in 2017. The facts of the District's long-term debt are detailed in the Notes to Financial Statements. Revenues in excess of the projected requirements and the statutory change from School Infrastructure Local Option Sales Taxes to a statewide Secure an Advance Vision for Education Fund sales tax have made repayments on all bonds predictable.

General Fund revenues increased from \$24,799,982 in fiscal year 2015 to \$26,608,303 in 2016, while General Fund expenditures also increased from \$25,110,791 in 2015 to \$25,471,437 in fiscal year 2016. This resulted in a change in the District's General Fund balance from \$1,458,945 in fiscal year 2015 to \$2,695,101 in 2016, an increase of \$1,236,156.

The increase in revenues occurred due to increasing enrollment, increasing per pupil funding from the State, and the beginning of special funding from the State for the Teacher Leadership and Compensation System. The increase in expenditures was primarily attributable to personnel adjustments due to the new Teacher Leadership and Compensation System.

Interest income on investments for the General Fund for the last five fiscal years has been as follows: 2012 – \$14,213; 2013 – \$9,196; 2014 - \$7,706; 2015 - \$7,763; and 2016 - \$11,078.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of four parts: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District by reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about activities the District operates like businesses, such as School Nutrition.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual financial report are arranged and relate to one another.

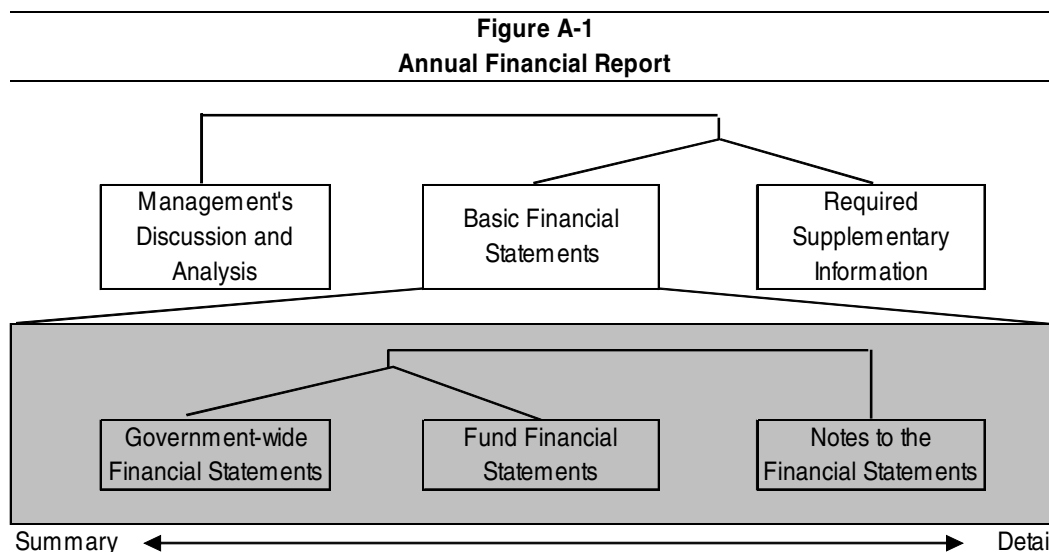


Figure A-2 summarizes the major features of the Government-wide and Fund Financial Statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net financial position and how it has changed. Net position is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State Aid finance most of these activities.

Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's nutrition program would be included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. Funds are accounting devices that districts use to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental Funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

Proprietary Funds. Services for which the District charges a fee are generally reported in proprietary funds. These funds are reported in the same way as the government-wide statements.

The Nutrition Fund and Student Construction Fund are the only proprietary funds that the District maintains.

Fiduciary Funds. The District is the trustee or fiduciary for the assets that belong to others such as scholarship funds.

The District currently holds one fiduciary fund, it is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

<p align="center">Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)</p>							
	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 19,887	19,151	21	19	19,908	19,170	3.8%
Capital assets	26,546	26,676	108	123	26,654	26,799	-0.5%
Total assets	<u>46,433</u>	<u>45,827</u>	<u>129</u>	<u>142</u>	<u>46,562</u>	<u>45,969</u>	<u>1.3%</u>
Deferred outflows of resources	<u>3,227</u>	<u>1,783</u>	<u>78</u>	<u>43</u>	<u>3,305</u>	<u>1,826</u>	<u>81.0%</u>
Long-term liabilities	11,074	10,274	282	233	11,356	10,507	8.1%
Other liabilities	<u>4,184</u>	<u>4,089</u>	<u>411</u>	<u>292</u>	<u>4,595</u>	<u>4,381</u>	<u>4.9%</u>
Total liabilities	<u>15,258</u>	<u>14,363</u>	<u>693</u>	<u>525</u>	<u>15,951</u>	<u>14,888</u>	<u>7.1%</u>
Deferred inflows of resources	<u>11,508</u>	<u>12,542</u>	<u>59</u>	<u>77</u>	<u>11,567</u>	<u>12,619</u>	<u>-8.3%</u>
Net position:							
Invested in capital assets, net of related debt	26,184	25,231	108	123	26,292	25,354	3.7%
Restricted	4,354	4,599	-	-	4,354	4,599	-5.3%
Unrestricted	<u>(7,644)</u>	<u>(9,125)</u>	<u>(653)</u>	<u>(540)</u>	<u>(8,297)</u>	<u>(9,665)</u>	<u>-14.2%</u>
Total net position	<u>\$ 22,894</u>	<u>20,705</u>	<u>(545)</u>	<u>(417)</u>	<u>22,349</u>	<u>20,288</u>	<u>10.2%</u>

**Oskaloosa Community School District
Management's Discussion and Analysis
Year ended June 30, 2016**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$10,358,654 and \$250,808, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 1,103	1,108	568	598	1,671	1,706	-2.1%
Operating grants, contributions and restricted interest	5,129	4,297	752	741	5,881	5,038	16.7%
General revenues:							
Property tax	9,476	9,220	-	-	9,476	9,220	2.8%
Statewide sales, services and use tax	1,766	2,421	-	-	1,766	2,421	-27.1%
Unrestricted state grants	12,163	11,867	-	-	12,163	11,867	2.5%
Unrestricted investment earnings	18	15	-	-	18	15	20.0%
Other	616	603	-	5	616	608	1.3%
Total revenues	30,271	29,531	1,320	1,344	31,591	30,875	2.3%
Program expenses:							
Governmental activities:							
Instruction	17,174	17,209	208	144	17,382	17,353	0.2%
Support services	8,509	7,808	-	1	8,509	7,809	9.0%
Non-instructional programs	5	5	1,240	1,274	1,245	1,279	-2.7%
Other expenses	2,394	2,506	-	-	2,394	2,506	-4.5%
Total expenses	28,082	27,528	1,448	1,419	29,530	28,947	2.0%
Change in net position	2,189	2,003	(128)	(75)	2,061	1,928	6.9%
Net position beginning of year	20,705	18,702	(417)	(342)	20,288	18,360	10.5%
Net position end of year	\$ 22,894	20,705	(545)	(417)	22,349	20,288	10.2%

Governmental Activities

The revenues and other financing sources for governmental activities were \$30,271,183 and expenses were \$28,081,627.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2016	2015	2015-2016	2016	2015	2015-2016
Instruction	\$ 17,174	17,209	-0.2%	12,014	12,847	-6.5%
Support services	8,509	7,808	9.0%	8,473	7,769	9.1%
Non-instructional	5	5	0.0%	5	5	0.0%
Other expenses	2,394	2,506	-4.5%	1,358	1,501	-9.5%
Totals	\$ 28,082	27,528	2.0%	21,850	22,122	-1.2%

- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,128,910.
- The net cost of governmental activities was financed with \$9,476,282 in local property tax, \$1,766,253 in statewide sales, services, and use taxes, \$12,163,245 in unrestricted state grants, and \$18,285 on investment earnings.
- The revenues for the District's governmental activities increased due to higher State Aid and property tax levy receipts as a result of increasing enrollment, increasing per pupil funding, and funds from the new Teacher Leadership and Compensation System. The TLC System caused an increase in expenditures due to personnel adjustments. The financial strength of the District is improving, with prodigious budgeting causing a 8.6% General Fund solvency ratio.

Business Type Activities

Revenues of the District's business type activities were \$1,319,934 and expenses were \$1,447,464. Revenues included \$568,663 in charges for services, \$752,225 in state and federal grants, and \$46 in contributions and interest on investments. The School Nutrition Fund comprises the primary business-type activity for the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Oskaloosa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District's Governmental Fund balances increased a total of \$925,680 over the previous fiscal year. The individual fund balance changes were as follows:

	Beginning Balance	Increase (Decrease)	Ending Balance
General Fund	\$ 1,458,945	1,236,156	2,695,101
Capital Projects	2,956,037	(380,298)	2,575,739
Non-major Funds	1,305,489	69,822	1,375,311

The total receipts for governmental funds were greater than disbursements due to restraining increases in personnel costs. Budgeted revenues were both less and more than actual revenues due to changes in funding with the Teacher Leadership and Compensation System that were not anticipated at the time of budget certification.

**Oskaloosa Community School District
Management's Discussion and Analysis
Year ended June 30, 2016**

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following the required public notice and hearing for all funds. This is referred to as the Certified Budget. It may be amended during the year using similar statutorily prescribed procedures. During the 2016 fiscal year, the District amended expenditures in the Instruction category.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the 2016 fiscal year, the District had invested in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment.

Figure A-6 shows total investment in capital assets net of accumulated depreciation.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2014	2015-2016
Land	\$ 65	65	-	-	65	65	0.0%
Buildings	23,437	24,320	-	-	23,437	24,320	-3.6%
Improvements other than buildings	1,294	1,180	-	-	1,294	1,180	9.7%
Furniture and equipment	1,750	1,111	108	123	1,858	1,234	50.6%
Totals	\$ 26,546	26,676	108	123	26,654	26,799	-0.5%

Long-Term Debt

Figure A-7 outlines the composition of the total long-term debt amount of \$11,073,562 for the District as of June 30, 2016.

During fiscal year 2002, the District's voters approved the issuance of local option sales and services tax revenue bonds not to exceed \$20,000,000.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Governmental Activities		Change
	June 30,		June 30,
	2016	2015	2015-2016
Revenue bonds payable	\$ 360	1,420	-74.6%
Unamortized bond premium	3	7	0.0%
Lease purchase agreement	-	18	-100.0%
Early retirement	167	79	111.4%
Compensated absences	43	44	-2.3%
Net pension liability	10,073	8,351	20.6%
Other post employment benefits	428	355	20.6%
Totals	\$ 11,074	10,274	7.8%

FACTORS BEARING ON THE DISTRICT'S FUTURE

Substantial parts of General Fund revenues are determined by the Aid and Levy Worksheet that utilizes the District's Certified Enrollment to establish the Combined District Cost. The Certified Enrollment determined in October of 2016 indicated that funding related to enrollment would decrease. The District's Administration will continue to monitor student enrollment as it relates to the state and federal funding generated, and will reduce expenditures if enrollment results in lower revenues.

Beginning in fiscal year 2015, the District is required to include the net pension liability for their employees enrolled in the Iowa Public Employees Retirement System (IPERS). While District employees receive benefits during retirement from the defined benefit plan, the District has no control over the funding or assets of IPERS. Accordingly, the liability is beyond the legal capacity of the District to fund or reduce, as solely the Iowa Legislature controls IPERS.

A substantial part of General Fund expenditures are wages and benefits. A majority of the district's employees are covered by State-mandated collective bargaining agreements. The final step in the negotiation process is binding arbitration. If the negotiation process progresses to this level, the outcome may produce wages and benefits in excess of available funding. If this happens, the Board of Directors will be forced to reduce the expenditure budget with cuts in staff.

CONTACTS

For information regarding this report, contact Chad M. Vink, School Business Official, Oskaloosa Community School District, 1800 North 3rd Street, Oskaloosa, Iowa 52757; Telephone 641-673-8345.

Basic Financial Statements

Exhibit A

Oskaloosa Community School District
Statement of Net Position
June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 9,240,385	-	9,240,385
Receivables:			
Property tax:			
Delinquent	76,143	-	76,143
Succeeding year	8,932,811	-	8,932,811
Income surtax	128,131	-	128,131
Accounts	3,086	435	3,521
Due from other funds	158,563	-	158,563
Due from other governments	1,347,353	-	1,347,353
Inventories	-	20,549	20,549
Capital assets, net of accumulated depreciation	26,546,443	108,207	26,654,650
Total assets	46,432,915	129,191	46,562,106
Deferred Outflows of Resources			
Pension related deferred outflows	3,227,150	78,328	3,305,478
Liabilities			
Accounts payable	864,058	19,186	883,244
Excess warrants issued over bank balance	-	155,113	155,113
Salaries and benefits payable	3,315,321	78,543	3,393,864
Due to other funds	-	158,563	158,563
Accrued interest payable	4,403	-	4,403
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	362,697	-	362,697
Early retirement	76,751	-	76,751
Compensated absences	42,722	-	42,722
Portion due after one year:			
Early retirement	90,066	-	90,066
Net pension liability	10,073,366	244,023	10,317,389
Net OPEB liability	427,960	38,040	466,000
Total liabilities	15,257,344	693,468	15,950,812
Deferred Inflows of Resources			
Unavailable property tax revenue	8,932,811	-	8,932,811
Unavailable income surtax revenue	128,131	-	128,131
Pension related deferred inflows	2,447,085	59,198	2,506,283
Total deferred inflows of resources	11,508,027	59,198	11,567,225
Net Position			
Net investment in capital assets	26,183,746	108,207	26,291,953
Restricted for:			
Categorical funding	403,486	-	403,486
Debt service	524,000	-	524,000
Management levy purposes	1,070,322	-	1,070,322
Student activities	304,989	-	304,989
School infrastructure	1,562,595	-	1,562,595
Physical plant and equipment	489,144	-	489,144
Unrestricted	(7,643,588)	(653,354)	(8,296,942)
Total net position	\$ 22,894,694	(545,147)	22,349,547

See notes to financial statements.

Exhibit B

Oskaloosa Community School District
Statement of Activities
Year ended June 30, 2016

	Net (Expense) Revenue and Changes					
	Program Revenues			in Net Position		
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs	Expenses	Charges for Service				
Governmental activities:						
Instruction:						
Regular	\$ 10,482,510	470,647	3,156,324	(6,855,539)	-	(6,855,539)
Special	3,343,607	153,472	858,546	(2,331,589)	-	(2,331,589)
Other	3,347,823	473,970	47,073	(2,826,780)	-	(2,826,780)
	17,173,940	1,098,089	4,061,943	(12,013,908)	-	(12,013,908)
Support Services:						
Student	996,220	-	-	(996,220)	-	(996,220)
Instructional staff	1,817,257	-	-	(1,817,257)	-	(1,817,257)
Administration	2,120,746	-	-	(2,120,746)	-	(2,120,746)
Operation and maintenance of plant	2,560,019	-	-	(2,560,019)	-	(2,560,019)
Transportation	1,015,240	4,501	31,313	(979,426)	-	(979,426)
	8,509,482	4,501	31,313	(8,473,668)	-	(8,473,668)
Non-instructional programs	4,660	-	-	(4,660)	-	(4,660)
Other expenditures:						
Facilities acquisition	234,867	-	-	(234,867)	-	(234,867)
Long-term debt interest	21,988	-	-	(21,988)	-	(21,988)
AEA flowthrough	1,035,654	-	1,035,654	-	-	-
Depreciation (unallocated)*	1,101,036	-	-	(1,101,036)	-	(1,101,036)
	2,393,545	-	1,035,654	(1,357,891)	-	(1,357,891)
Total governmental activities	28,081,627	1,102,590	5,128,910	(21,850,127)	-	(21,850,127)
Business type activities:						
Instructional programs:						
Student construction operations	207,621	169,247	-	-	(38,374)	(38,374)
Support services:						
Student construction operations	22	-	-	-	(22)	(22)
Non-instructional programs:						
Food service operations	1,239,821	398,416	752,225	-	(89,180)	(89,180)
Total business type activities	1,447,464	567,663	752,225	-	(127,576)	(127,576)
Total primary government	\$ 29,529,091	1,670,253	5,881,135	(21,850,127)	(127,576)	(21,977,703)

Exhibit B

Oskaloosa Community School District
Statement of Activities
Year ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities
General Revenues:					
Property tax levied for:					
General purposes				8,865,232	-
Capital outlay				611,050	-
Statewide sales, services and use tax				1,766,253	-
Unrestricted state grants				12,163,245	-
Unrestricted investment earnings				18,285	46
Other				468,630	-
Contributions not restricted to specific programs				32,677	-
Gain on sale of assets				114,311	-
Total general revenues				24,039,683	46
Change in net position				2,189,556	(127,530)
Net position beginning of year				20,705,138	(417,617)
Net position end of year				\$ 22,894,694	(545,147)

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit C

Oskaloosa Community School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 5,455,456	-	2,328,293	1,456,636	9,240,385
Receivables:					
Property tax:					
Delinquent	66,752	-	4,978	4,413	76,143
Succeeding year	7,760,235	-	597,575	575,001	8,932,811
Income surtax	128,131	-	-	-	128,131
Accounts	3,070	-	-	16	3,086
Due from other funds	306,552	-	119,525	-	426,077
Due from other governments	637,751	-	709,602	-	1,347,353
Total assets	\$ 14,357,947	-	3,759,973	2,036,066	20,153,986
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 339,634	-	512,633	11,791	864,058
Salaries and benefits payable	3,315,321	-	-	-	3,315,321
Due to other funds	119,525	-	74,026	73,963	267,514
Total liabilities	3,774,480	-	586,659	85,754	4,446,893
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	7,760,235	-	597,575	575,001	8,932,811
Income surtax	128,131	-	-	-	128,131
Total deferred inflows of resources	7,888,366	-	597,575	575,001	9,060,942
Fund balances:					
Restricted for:					
Categorical funding	403,486	-	-	-	403,486
Debt service	-	-	524,000	-	524,000
Management levy purposes	-	-	-	1,070,322	1,070,322
Student activities	-	-	-	304,989	304,989
School infrastructure	-	-	1,562,595	-	1,562,595
Physical plant and equipment	-	-	489,144	-	489,144
Unassigned	2,291,615	-	-	-	2,291,615
Total fund balances	2,695,101	-	2,575,739	1,375,311	6,646,151
Total liabilities, deferred inflows of resources and fund balances	\$ 14,357,947	-	3,759,973	2,036,066	20,153,986

See notes to financial statements.

Exhibit D

**Oskaloosa Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2016**

Total fund balances of governmental funds (Exhibit C) **\$ 6,646,151**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$ 64,566	
Buildings	44,337,736	
Improvements	3,585,395	
Vehicles, furniture and equipment	7,430,770	
Accumulated depreciation	(28,872,024)	26,546,443

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	3,227,150	
Deferred inflows of resources	(2,447,085)	780,065

Long-term liabilities, including bonds payable, unamortized bond premiums, special termination benefits, accrued interest, compensated absences, net pension liability, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Sales tax revenue bonds	(360,000)	
Bond premiums, net of accumulated amortization	(2,697)	
Accrued interest payable	(4,403)	
Special termination benefits	(166,817)	
Compensated absences	(42,722)	
Net pension liability	(10,073,366)	
Other postemployment benefits	(427,960)	(11,077,965)

Net position of governmental activities (Exhibit A) **\$ 22,894,694**

See notes to financial statements.

Exhibit E

Oskaloosa Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 8,323,570	-	611,050	541,662	9,476,282
Tuition	457,467	-	-	-	457,467
Other	424,710	-	101,723	512,353	1,038,786
Intermediate sources	-	-	626,271	-	626,271
State sources	16,238,879	-	1,148,211	7,299	17,394,389
Federal sources	1,163,677	-	-	-	1,163,677
Total revenues	26,608,303	-	2,487,255	1,061,314	30,156,872
Expenditures:					
Current:					
Instruction:					
Regular	9,978,627	-	865,106	165,269	11,009,002
Special	3,424,298	-	-	-	3,424,298
Other	2,907,660	-	-	440,163	3,347,823
	16,310,585	-	865,106	605,432	17,781,123
Support services:					
Student	994,999	-	-	6,216	1,001,215
Instructional staff	1,836,513	-	-	4,662	1,841,175
Administration	2,220,200	-	10,286	16,531	2,247,017
Operation and maintenance of plant	2,205,857	-	48,977	334,329	2,589,163
Transportation	867,629	-	173,131	19,662	1,060,422
	8,125,198	-	232,394	381,400	8,738,992
Non-instructional programs	-	-	-	4,660	4,660
Other expenditures:					
Facilities acquisition	-	-	671,774	-	671,774
Long-term debt:					
Principal	-	1,087,381	-	-	1,087,381
Interest and fiscal charges	-	25,919	-	-	25,919
AEA flowthrough	1,035,654	-	-	-	1,035,654
	1,035,654	1,113,300	671,774	-	2,820,728
Total expenditures	25,471,437	1,113,300	1,769,274	991,492	29,345,503
Excess (deficiency) of revenues over (under) expenditures	1,136,866	(1,113,300)	717,981	69,822	811,369
Other financing sources (uses):					
Sale of equipment and real property	99,290	-	15,021	-	114,311
Operating transfers in	-	1,113,300	-	-	1,113,300
Operating transfers out	-	-	(1,113,300)	-	(1,113,300)
Total other financing sources (uses)	99,290	1,113,300	(1,098,279)	-	114,311
Change in fund balances	1,236,156	-	(380,298)	69,822	925,680
Fund balances beginning of year	1,458,945	-	2,956,037	1,305,489	5,720,471
Fund balances end of year	\$ 2,695,101	-	2,575,739	1,375,311	6,646,151

See notes to financial statements.

Oskaloosa Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2016

Net change in fund balances - total governmental funds (Exhibit E) **\$ 925,680**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,262,474	
Depreciation expense	<u>(1,392,046)</u>	(129,572)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond principal repaid	1,060,000	
Amortization of bond premium	4,625	
Capital lease payments	<u>18,082</u>	1,082,707

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

11,110

The current year District IPERS contribution are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

1,290,313

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(87,293)	
Compensated absences	881	
Pension expense	(831,489)	
Other postemployment benefits	<u>(72,781)</u>	(990,682)

Change in Net Position of governmental activities (Exhibit B) **\$ 2,189,556**

See notes to financial statements.

Exhibit G

Oskaloosa Community School District
Statement of Net Position
Proprietary Funds
June 30, 2016

	Non-major Enterprise
Assets	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	435
Inventories	20,549
Capital assets, net of accumulated depreciation	108,207
Total assets	129,191
Deferred Outflows of Resources	
Pension related deferred outflows	78,328
Liabilities	
Current liabilities:	
Accounts payable	19,186
Excess warrants issued over bank balance	155,113
Salaries and benefits payable	78,543
Due to other funds	158,563
Total current liabilities	411,405
Non-current liabilities:	
Net pension liability	244,023
Net OPEB liability	38,040
Total non-current liabilities	282,063
Total liabilities	693,468
Deferred Inflows of Resources	
Pension related deferred inflows	59,198
Net Position	
Net investment in capital assets	108,207
Unrestricted	(653,354)
Total net position	\$ (545,147)

See notes to financial statements.

Exhibit H

Oskaloosa Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2016

	Non-major Enterprise
Operating revenue:	
Local sources:	
Charges for services	\$ 567,663
Operating expenses:	
Instructional programs:	
Regular	207,621
Support services:	
Operation and maintenance of plant	22
	207,643
Non-instructional programs:	
Food service operations:	
Salaries	348,355
Benefits	151,334
Purchased services	1,675
Supplies	715,208
Depreciation	23,249
	1,239,821
Total operating expenses	1,447,464
Operating loss	(879,801)
Non-operating revenue:	
Interest income	46
State sources	9,667
Federal sources	742,558
Total non-operating revenue	752,271
Change in net position	(127,530)
Net position beginning of year	(417,617)
Net position end of year	\$ (545,147)

See notes to financial statements.

Exhibit I

**Oskaloosa Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016**

	Non-major Enterprise
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 398,120
Cash received from miscellaneous operating activities	169,247
Cash payments to employees for services	(517,095)
Cash payments to suppliers for goods or services	(818,445)
Net cash used by operating activities	<u>(768,173)</u>
Cash flows from non-capital financing activities:	
State grants received	9,667
Federal grants received	650,158
Interfund loan	15,927
Net cash provided by non-capital financing activities	<u>675,752</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,576)</u>
Cash flows from investing activities:	
Interest on investments	46
Net cash provided by investing activities	<u>46</u>
Net decrease in cash and cash equivalents	(100,951)
Cash and cash equivalents at beginning of year	<u>(54,162)</u>
Cash and cash equivalents at end of year	<u><u>\$ (155,113)</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss)	\$ (879,801)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Commodities used	92,400
Depreciation	23,249
(Increase) in inventories	(1,665)
(Increase) in accounts receivable	(296)
Increase in accounts payable	15,346
(Decrease) in salaries and benefits payable	(12,644)
Increase in net pension liability	41,830
(Increase) in deferred outflows of resources	(35,147)
(Decrease) in deferred inflows of resources	(17,913)
Increase in other post employment benefits payable	6,468
Net cash (used) by operating activities	<u><u>\$ (768,173)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ (155,113)
Cash and cash equivalents at year end	<u><u>\$ (155,113)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2016, the District received \$92,400 of federal commodities.

See notes to financial statements.

Exhibit J

**Oskaloosa Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Private Purpose Trust
	Athletic Endowment
Assets	
Cash, cash equivalents and pooled investments	\$ 1,858
Total assets	1,858
Net position	\$ 1,858

See notes to financial statements.

Exhibit K

Oskaloosa Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2016

	Private Purpose Trust
	Athletic Endowment
Additions:	
Local sources:	
Interest on investments	\$ 2
Deductions:	
Instruction:	
Regular	-
Change in net position	2
Net position beginning of year	1,856
Net position end of year	\$ 1,858

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Oskaloosa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Oskaloosa, Iowa and the predominate agricultural territory in Mahaska county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Oskaloosa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Oskaloosa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Funds accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

The District reports the following enterprise non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Student Construction Fund is used to account for student construction projects.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through athletic endowments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	45 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of income surtax receivable and the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted.

(2) Cash, Cash Equivalent and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments as follows:

	Amortized Cost
Goldman Sachs Financial Square Treasury Obligations Fund	\$ 4,146
ISJIT Diversified Fund	702,767
United States Treasury Notes	35,198
Total	<u>\$ 742,111</u>

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Receivables/Payables

The amounts of interfund receivables and payables are as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Activity	\$ 64,083
General	Special Revenue, Management	9,880
General	Capital Projects, Physical Plant and Equipment Levy	74,026
General	Enterprise, Student Construction	154,658
General	Enterprise, School Nutrition	3,905
Capital Projects, Statewide Sales, Services and Use Tax	General	119,525
		<u>\$ 426,077</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 1,085,919
Debt Service	Capital Projects, Physical Plant and Equipment Levy	27,381
		<u>\$ 1,113,300</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 64,566	-	-	64,566
Total capital assets not being depreciated	64,566	-	-	64,566
Capital assets being depreciated:				
Buildings	44,191,416	146,320	-	44,337,736
Improvements other than buildings	3,345,603	239,792	-	3,585,395
Furniture and equipment	6,560,199	876,362	5,791	7,430,770
Total capital assets being depreciated	54,097,218	1,262,474	5,791	55,353,901
Less accumulated depreciation for:				
Buildings	19,871,656	1,028,358	-	20,900,014
Improvements other than buildings	2,165,577	125,984	-	2,291,561
Furniture and equipment	5,448,536	237,704	5,791	5,680,449
Total accumulated depreciation	27,485,769	1,392,046	5,791	28,872,024
Total capital assets being depreciated, net	26,611,449	(129,572)	-	26,481,877
Governmental activities capital assets, net	\$ 26,676,015	(129,572)	-	26,546,443
Business type activities:				
Furniture and equipment	\$ 582,733	8,576	-	591,309
Less accumulated depreciation	459,853	23,249	-	483,102
Business type activities capital assets, net	\$ 122,880	(14,673)	-	108,207
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 112,517
Support services:				
Administration				8,603
Operation and maintenance of plant				16,722
Transportation				153,168
				291,010
Unallocated depreciation				1,101,036
Total governmental activities depreciation expense				\$ 1,392,046
Business type activities:				
Food services				\$ 23,249

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 79,524	127,450	40,157	166,817	76,751
Lease purchase agreement	18,082	-	18,082	-	-
Compensated absences	43,603	42,722	43,603	42,722	42,722
Revenue bonds	1,420,000	-	1,060,000	360,000	360,000
Revenue bond premium	7,322	-	4,625	2,697	-
Net pension liability	8,350,800	1,722,566		10,073,366	-
Net OPEB liability	355,179	72,781	-	427,960	-
Total	\$ 10,274,510	1,965,519	1,166,467	11,073,562	479,473
Business type activities:					
Net pension liability	\$ 202,193	41,830	-	244,023	-
Net OPEB liability	31,572	6,468	-	38,040	-
Total	\$ 233,765	48,298	-	282,063	-

Revenue Bonds

Details of the District's June 30, 2016, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Issue Dated September 1, 2002 Series 2002A-422B				Issue Dated September 1, 2002 Subordinate Series 2002B-422B		
Year ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	4.500%	\$ 15,000	444	5.250	20,000	1,050
	Subtotal	15,000	444		20,000	1,050
Issue Dated February 1, 2011 Series 2011						
Year ending June 30,	Interest Rates	Principal	Interest			
2017	2.000%	325,000	5,234			
	Subtotal	325,000	5,234			
Total						
Year Ending June 30,	Principal		Interest	Total		
2017	360,000		6,728	366,728		
	\$ 360,000		6,728	366,728		

Early Retirement Payable

The District offered a voluntary early retirement plan for its certified employees, administrators, nurses and directors. Eligible employees must have been between ages fifty-five and sixty-five and employees must have completed twenty years of continuous service to the District or fifteen years with the District plus one half of the years of service with another District (to a maximum of five years) to meet the twenty year requirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a flat dollar lump sum payment based upon the

years of service the employee had as of the retirement year. The early retiree will also be eligible for monthly insurance premium benefits up to a maximum \$150 per month. This benefit will be discontinued when the retirees have been retired for nine years, if the retiree becomes eligible for Medicare, or when the retiree reaches age 65, whichever occurs first. Early retirement benefits paid during the year ended June 30, 2016, totaled \$40,157.

(7) Pension Plan

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$1,321,646.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$10,317,389 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.207533%, which was a decrease of 0.003804% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$831,489. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,883	-
Changes of assumptions	284,064	-
Net difference between projected and actual earnings on pension plan investments	1,543,686	2,402,363
Changes in proportion and differences between District contributions and proportionate share of contributions	199	103,920
District contributions subsequent to the measurement date	1,321,646	-
Total	<u>\$ 3,305,478</u>	<u>2,506,283</u>

\$1,321,646 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2017	\$ (306,980)
2018	(306,980)
2019	(306,980)
2020	403,170
2021	(4,681)
	<u>\$ (522,451)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 18,063,893	\$ 10,317,389	\$ 3,778,785

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 237 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 153,000
Interest on net OPEB obligation	15,000
Adjustment to annual required contribution	(14,000)
Annual OPEB cost	154,000
Contributions made	(74,751)
Increase in net OPEB obligation	79,249
Net OPEB obligation beginning of year	386,751
Net OPEB obligation end of year	\$ 466,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2016, the District contributed \$74,751.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 157,000	81.53%	\$ 58,000
June 30, 2011	212,000	53.77%	156,000
June 30, 2012	212,032	73.10%	213,032
June 30, 2013	212,408	65.91%	285,440
June 30, 2014	145,000	55.48%	350,000
June 30, 2015	147,751	75.13%	386,751
June 30, 2016	154,000	48.54%	466,000

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,131,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,131,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14,800,000, and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for

the Retired Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.5%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$798 per month for retirees who have attained the age of 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,035,654 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Financial Condition

The Enterprise Fund-Student Construction had a deficit net position at June 30, 2016, of \$170,249. The Enterprise Fund - School Nutrition had a deficit net position at June 30, 2016, of \$374,898. In addition, the Special Revenue Fund-Activity Fund had several individual account deficit balances.

(12) Commitment and Contingencies

Parents of a student have filed a complaint against the District under the Individuals with Disabilities Education Act. The District has denied all allegations. Any potential judgment or settlement is not expected to exceed insurance coverage and it is the opinion of management in consultation with legal counsel that the final settlement of this matter will not result in a material adverse effect on the financial position of the District.

The District was also awarded damages in an arbitration hearing on another matter. The defendants have appealed and the District is now awaiting a decision from the Iowa Court of Appeals.

Required Supplementary Information

Oskaloosa Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2016

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 10,972,535	567,709	11,540,244	11,688,449	11,688,449	(148,205)
Intermediate sources	626,271	-	626,271	586,956	586,956	39,315
State sources	17,394,389	9,667	17,404,056	18,096,222	18,096,222	(692,166)
Federal sources	1,163,677	742,558	1,906,235	1,683,641	1,683,641	222,594
Total revenues	30,156,872	1,319,934	31,476,806	32,055,268	32,055,268	(578,462)
Expenditures/Expenses:						
Instruction	17,781,123	207,621	17,988,744	17,896,359	18,996,359	1,007,615
Support services	8,738,992	22	8,739,014	9,359,799	9,359,799	620,785
Non-instructional programs	4,660	1,239,821	1,244,481	1,279,710	1,279,710	35,229
Other expenditures	2,820,728	-	2,820,728	3,052,472	3,052,472	231,744
Total expenditures/expenses	29,345,503	1,447,464	30,792,967	31,588,340	32,688,340	1,895,373
Excess (deficiency) of revenues over (under) expenditures/expenses	811,369	(127,530)	683,839	466,928	(633,072)	1,316,911
Other financing sources, net	114,311	-	114,311	13,500	13,500	100,811
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	925,680	(127,530)	798,150	480,428	(619,572)	1,417,722
Balances beginning of year	5,720,471	(417,617)	5,302,854	5,124,134	5,124,134	178,720
Balances end of year	\$ 6,646,151	(545,147)	6,101,004	5,604,562	4,504,562	1,596,442

See accompanying independent auditor's report.

Oskaloosa Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$644,391.

During the year ended June 30, 2015, expenditures in the instruction, non-instructional and other expenditures functions exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

Oskaloosa Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Two Years* (In Thousands)
Required Supplementary Information

	2016	2015
District's proportion of the net pension liability	0.207533%	0.211337%
District's proportion of the net pension pension liability	\$ 10,317	8,553
District's covered-employee payroll	\$ 14,326	14,122
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.02%	60.57%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Oskaloosa Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 1,322	1,279	1,261	1,176	1,080	922	884	863	793	700
Contributions in relation to the statutorily required contribution	(1,322)	(1,279)	(1,261)	(1,176)	(1,080)	(922)	(884)	(863)	(793)	(700)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 14,800	14,326	14,122	13,562	13,387	13,263	13,290	13,594	13,101	12,172
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Oskaloosa Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	1,461,000	1,461,000	0.0%	\$ 13,791,666	10.6%
2010	July 1, 2008	-	1,461,000	1,461,000	0.0%	13,397,116	10.9%
2011	July 1, 2010	-	1,563,000	1,563,000	0.0%	13,496,428	11.6%
2012	July 1, 2010	-	1,563,000	1,563,000	0.0%	13,565,992	11.5%
2013	July 1, 2010	-	1,563,000	1,563,000	0.0%	13,750,842	11.4%
2014	July 1, 2013	-	1,150,000	1,150,000	0.0%	14,000,000	8.2%
2015	July 1, 2013	-	1,150,000	1,150,000	0.0%	14,250,000	8.1%
2016	July 1, 2015	-	1,131,000	1,131,000	0.0%	14,800,000	7.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Oskaloosa Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,075,883	380,753	1,456,636
Receivables:			
Property tax:			
Delinquent	4,413	-	4,413
Succeeding year	575,001	-	575,001
Accounts	-	16	16
Total assets	\$ 1,655,297	380,769	2,036,066
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 94	11,697	11,791
Due to other funds	9,880	64,083	73,963
Total liabilities	9,974	75,780	85,754
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	575,001	-	575,001
Total deferred inflows of resources	575,001	-	575,001
Fund balances:			
Restricted for:			
Management levy purposes	1,070,322	-	1,070,322
Student activities	-	304,989	304,989
Total fund balances	1,070,322	304,989	1,375,311
Total liabilities, deferred inflows of resources and fund balances	\$ 1,655,297	380,769	2,036,066

See accompanying independent auditor's report.

Schedule 2

Oskaloosa Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 541,662	-	541,662
Other	43,045	469,308	512,353
State sources	7,299	-	7,299
Total revenues	592,006	469,308	1,061,314
Expenditures:			
Current:			
Instruction:			
Regular	165,269	-	165,269
Other	-	440,163	440,163
Support services:			
Student	6,216	-	6,216
Instructional staff	4,662	-	4,662
Administration	16,531	-	16,531
Operation and maintenance of plant	334,329	-	334,329
Transportation	19,662	-	19,662
Non-instructional programs	4,660	-	4,660
Total expenditures	551,329	440,163	991,492
Excess (deficiency) of revenues over (under) expenditures	40,677	29,145	69,822
Fund balance beginning of year	1,029,645	275,844	1,305,489
Fund balance end of year	\$ 1,070,322	304,989	1,375,311

See accompanying independent auditor's report.

Schedule 3

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Senior High Drama	\$ 7,898	2,982	1,059	-	9,821
Debate	524	698	806	-	416
Senior High Vocal Spec Events	124	542	2,464	-	(1,798)
Instrumental	(9,514)	9,927	12,442	-	(12,029)
Senior High Band Spec Events	1,500	-	-	450	1,950
Special Girls Track	905	5,592	1,998	-	4,499
Senior High Cross Country	6,352	2,453	2,145	-	6,660
Special Cross Country	1,056	40	130	-	966
Special Swimming	232	2,497	1,101	-	1,628
Bowling	2,498	1,865	3,049	-	1,314
Special Bowling	494	-	244	-	250
Dance and Drill	2,019	10,559	6,913	-	5,665
Boys Basketball	3,138	18,831	15,614	-	6,355
Football	11,468	38,987	21,889	-	28,566
Boys Soccer	3,743	1,935	3,979	-	1,699
Special Boys Soccer	2,203	-	39	-	2,164
Baseball	7,930	8,796	11,083	-	5,643
Boys Track	5,472	1,874	4,384	-	2,962
Boys Tennis	2,025	153	1,465	-	713
Special Boys Tennis	66	242	242	-	66
Boys Golf	2,354	905	2,260	-	999
Special Boys Golf	96	863	1,041	-	(82)
Wrestling	10,326	4,099	11,153	-	3,272
Girls Basketball	5,250	13,526	9,220	-	9,556
Girls Volleyball	7,893	17,029	15,957	-	8,965
Girls Soccer	4,542	3,999	4,241	-	4,300
Special Girls Soccer	3,859	762	123	-	4,498
Girls Softball	10,611	20,049	18,721	-	11,939
Girls Track	5,998	2,228	6,284	-	1,942
Girls Tennis	2,025	200	1,448	-	777
Special Girls Tennis	1,452	618	371	-	1,699
Girls Golf	764	400	1,307	-	(143)
Special Girls Golf	941	-	-	-	941
Strength/Conditioning	899	1,062	746	-	1,215
Senior High Annual	(955)	9,518	11,524	-	(2,961)
Junior High Activity Tickets	245	1,530	-	(1,400)	375
Senior High Thespians	1,776	1,895	1,519	-	2,152
Senior High Pep Club	5,383	4,493	6,671	-	3,205
Special Football	7,594	6,549	6,709	-	7,434
Senior High Student Council	2,194	31,869	31,748	-	2,315
Senior High Business Ed Part	12	-	-	-	12
Senior High Special Baseball	4,767	15,705	8,315	-	12,157
Oskaloosa Football Camp	1,468	5,776	1,741	-	5,503
Senior High Special Wrestling	8,811	2,215	1,959	-	9,067
Pepsi Rebate	4,520	-	-	-	4,520
Middle School Orchestra	548	1,249	1,111	-	686
Senior High Athletics	5,380	15,964	19,702	8,150	9,792
Senior High Band Repair Spec Events	(3,289)	7	-	-	(3,282)

Schedule 3

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Senior High Orchestra Repair	(8,269)	1,633	1,014	-	(7,650)
Senior High FFA	21,091	25,225	30,069	-	16,247
Senior High Forensics	596	-	-	-	596
Joe Gray Penmanship Award	341	-	-	-	341
Senior High The O	577	-	-	-	577
Senior High O Club	7,921	12,116	5,312	517	15,242
Sophomore Class	2,387	-	-	-	2,387
Junior Class	2,806	-	-	-	2,806
Senior Class	1,693	-	-	-	1,693
Storybook Players	4,849	3,404	3,393	-	4,860
Senior High World of Work	(617)	-	-	-	(617)
Senior High Project Write	1,124	-	-	-	1,124
Senior High Special Track	3,500	808	305	-	4,003
Senior High Work Program	13	-	-	-	13
Business M.O.C.	(914)	-	-	-	(914)
Senior High Spec Girls Basketball	1,359	6,953	2,917	-	5,395
Special Softball	9,588	14,597	11,934	-	12,251
Senior High Volleyball Camp	10,244	10,044	6,143	-	14,145
Senior High Choir Robes	33	-	99	-	(66)
Middle School Spec Activity Fund Raiser	14,495	11,471	18,420	-	7,546
Biology Lab	(165)	-	-	-	(165)
Chemistry Lab	(518)	-	-	-	(518)
S H Welding	(3,300)	-	-	-	(3,300)
Biology Field Trips	24	-	-	-	24
Special Events Change	(388)	1,250	1,250	-	(388)
Interest	6,258	643	119	-	6,782
Elementary Band	(1,331)	657	978	-	(1,652)
Middle School Science	(4,880)	-	1,223	-	(6,103)
Middle School Band Special Event	(7,445)	1,328	5,085	-	(11,202)
Middle School Band Uniforms	1,841	-	96	-	1,745
Middle School Annual	5,563	2,070	-	-	7,633
Senior High Activity Tickets	3,745	7,905	64	(8,600)	2,986
Senior High General Admin	(7,832)	14,032	5,029	-	1,171
Middle School Athletics	(8,931)	15,372	12,420	1,400	(4,579)
Middle School Student Council	10,552	3,291	8,740	-	5,103
Middle School Pep Club	2,551	-	-	-	2,551
Middle School Vocal Special Events	2,558	206	233	-	2,531
Middle School Orchestra Special Events	163	1,747	3,876	1,966	-
Middle School Special Events Band Repair	(2,346)	-	1,178	-	(3,524)
Senior High Home Fees	(413)	-	-	-	(413)
Athletic Admin Senior High	4,105	61	1,032	-	3,134
Athletic Pop Fund	2,467	328	45	-	2,750
Senior High Snack Machines	5,512	1,608	-	-	7,120
Senior High Pop Fund	1,035	6,886	7,474	(517)	(70)
Industrial Tech Module	87	-	-	-	87
Band Special Fund Raiser	506	-	-	-	506
Student Council Sign	8,847	755	-	-	9,602
Middle School Peer Helpers	905	4,424	3,443	-	1,886
FFA Vending	1,525	719	212	-	2,032

Schedule 3

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Freshman Class	2,412	-	-	-	2,412
One-Act Plays	660	-	-	-	660
Motivation Comm	288	-	-	-	288
Basketball Cheer	1,281	400	562	-	1,119
Robot Club	4,357	1,969	4,316	-	2,010
Wrestling Cheer	1,312	3,281	2,489	-	2,104
Book Club	297	-	-	-	297
Art Club	901	598	917	-	582
Middle School Drama	5,048	-	461	-	4,587
MS Special Wrestling FB	898	-	-	-	898
Elementary	22,058	13,829	11,865	-	24,022
Math Scholarship	105	-	-	-	105
Middle School Life Skills MD Special Olympics	929	-	-	-	929
HS Life Skills	61	-	-	-	61
Life Skills MD Secondary	240	-	-	-	240
Elementary Yearbooks	-	-	-	-	-
MS Special Supplies	802	-	110	-	692
MS Student Wellness	2,095	-	3,327	-	(1,232)
Middle School General Admin	(476)	6,929	5,882	-	571
Middle School At Risk Fund Raiser	772	1,189	2,027	-	(66)
Senior High Special Education	(1,079)	-	-	-	(1,079)
Dropout Prevention/Oasis Fund	125	-	-	-	125
China	4,983	19,516	18,921	-	5,578
Swimming	(10,882)	1,581	2,266	-	(11,567)
Academic Decathlon	(207)	-	-	-	(207)
MS Orchestra	-	-	-	(1,966)	(1,966)
MS Orchestra Special Trips	(245)	-	-	-	(245)
	<u>\$ 275,844</u>	<u>469,308</u>	<u>440,163</u>	<u>-</u>	<u>304,989</u>

See accompanying independent auditor's report.

Oskaloosa Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,763,954	564,339	2,328,293
Receivables:			
Property tax:			
Current year delinquent	-	4,978	4,978
Succeeding year	-	597,575	597,575
Due from other funds	119,525	-	119,525
Due from other governments	709,602	-	709,602
Total assets	\$ 2,593,081	1,166,892	3,759,973
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 506,486	6,147	512,633
Due to other funds	-	74,026	74,026
Total liabilities	506,486	80,173	586,659
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	597,575	597,575
Total deferred inflows of resources	-	597,575	597,575
Fund balances:			
Restricted for:			
Debt service	524,000	-	524,000
School infrastructure	1,562,595	-	1,562,595
Physical plant and equipment	-	489,144	489,144
Total fund balances	2,086,595	489,144	2,575,739
Total liabilities, deferred inflows of resources and fund balances	\$ 2,593,081	1,166,892	3,759,973

See accompanying independent auditor's report.

Schedule 5

Oskaloosa Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund Accounts
Year ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	611,050	611,050
Other	97,979	3,744	101,723
Intermediate sources	626,271	-	626,271
State sources	1,139,982	8,229	1,148,211
Total revenues	1,864,232	623,023	2,487,255
Expenditures:			
Current:			
Instruction	809,248	55,858	865,106
Support services:			
Administration	3,750	6,536	10,286
Operation and maintenance of plant	5,259	43,718	48,977
Transportation	-	173,131	173,131
Other expenditures:			
Facilities acquisition	531,393	140,381	671,774
Total expenditures	1,349,650	419,624	1,769,274
Excess (deficiency) of revenues over (under) expenditures	514,582	203,399	717,981
Other financing (uses):			
Sale of equipment	-	15,021	15,021
Operating transfers out	(1,085,919)	(27,381)	(1,113,300)
Total other financing (uses)	(1,085,919)	(12,360)	(1,098,279)
Change in fund balances	(571,337)	191,039	(380,298)
Fund balances beginning of year	2,657,932	298,105	2,956,037
Fund balances end of year	\$ 2,086,595	489,144	2,575,739

See accompanying independent auditor's report.

Oskaloosa Community School District
Combining Statement of Net Position
Proprietary Funds
June 30, 2016

	Student Construction	School Nutrition	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	-	-
Accounts receivable	-	435	435
Inventories	2,500	18,049	20,549
Capital assets, net of depreciation	-	108,207	108,207
Total assets	\$ 2,500	126,691	129,191
Deferred Outflows of Resources			
Pension related deferred outflows	-	78,328	78,328
Liabilities			
Current liabilities:			
Accounts payable	\$ 18,091	1,095	19,186
Excess warrants issued over bank balance	-	155,113	155,113
Salaries and benefits payable	-	78,543	78,543
Due to other funds	154,658	3,905	158,563
Total current liabilities	172,749	238,656	411,405
Noncurrent liabilities:			
Net pension liability	-	244,023	244,023
Net OPEB liability	-	38,040	38,040
Total noncurrent liabilities	-	282,063	282,063
Total liabilities	172,749	520,719	693,468
Deferred Inflows of Resources			
Pension related deferred inflows	-	59,198	59,198
Net Position			
Net investment in capital assets	-	108,207	108,207
Unrestricted	(170,249)	(483,105)	(653,354)
Total Net Position	\$ (170,249)	(374,898)	(545,147)

See accompanying independent auditor's report.

Schedule 7

Oskaloosa Community School District
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended June 30, 2016

	Student Construction	School Nutrition	Total
Operating revenue:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts	\$ -	398,416	398,416
Sale of services	169,247	-	169,247
Total operating revenue	169,247	398,416	567,663
Operating expenses:			
Instructional programs:			
Regular	207,621	-	207,621
Support services:			
Operation and maintenance of plant	22	-	22
	207,643	-	207,643
Non-instructional programs:			
Food services operations:			
Salaries	-	348,355	348,355
Benefits	-	151,334	151,334
Purchased services	-	1,675	1,675
Supplies	-	715,208	715,208
Depreciation	-	23,249	23,249
	-	1,239,821	1,239,821
Total operating expenses	207,643	1,239,821	1,447,464
Operating gain (loss)	(38,396)	(841,405)	(879,801)
Non-operating revenue:			
Interest income	-	46	46
State sources	-	9,667	9,667
Federal sources	-	742,558	742,558
Total non-operating revenue	-	752,271	752,271
Changes in net position	(38,396)	(89,134)	(127,530)
Net position beginning of year	(131,853)	(285,764)	(417,617)
Net position end of year	\$ (170,249)	(374,898)	(545,147)

See accompanying independent auditor's report.

Schedule 8

Oskaloosa Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016

	Student Construction	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	398,120	398,120
Cash received from miscellaneous operating activities	169,247	-	169,247
Cash payments to employees for services	-	(517,095)	(517,095)
Cash payments to suppliers for goods or services	(192,724)	(625,721)	(818,445)
Net cash provided (used) by operating activities	(23,477)	(744,696)	(768,173)
Cash flows from non-capital financing activities:			
State grants received	-	9,667	9,667
Federal grants received	-	650,158	650,158
Contributions	-	-	-
Interfund loan	23,477	(7,550)	15,927
Net cash provided (used) by non-capital financing activities	23,477	652,275	675,752
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(8,576)	(8,576)
Cash flows from investing activities:			
Interest on investments	-	46	46
Net cash provided (used) by investing activities	-	46	46
Net increase (decrease) in cash and cash equivalents	-	(100,951)	(100,951)
Cash and cash equivalents at beginning of year	-	(54,162)	(54,162)
Cash and cash equivalents at end of year	\$ -	(155,113)	(155,113)
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:			
Operating gain (loss)	\$ (38,396)	(841,405)	(879,801)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:			
Commodities used	-	92,400	92,400
Depreciation	-	23,249	23,249
(Increase) Decrease in inventory	100	(1,765)	(1,665)
(Increase) in accounts receivable	-	(296)	(296)
Increase (Decrease) in accounts payable	14,819	527	15,346
(Decrease) in salaries and benefits payable	-	(12,644)	(12,644)
Increase in net pension liability	-	41,830	41,830
(Increase) in deferred outflows of resources	-	(35,147)	(35,147)
(Decrease) in deferred inflows of resources	-	(17,913)	(17,913)
Increase in other post-employment benefits	-	6,468	6,468
Net cash provided (used) by operating activities	\$ (23,477)	(744,696)	(768,173)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2016, the District received \$92,400 of federal commodities.

See accompanying independent auditor's report.

Schedule 9

Oskaloosa Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 9,476,282	9,219,770	9,080,690	11,232,749	11,424,163	12,178,226	11,257,608	10,853,152	10,473,002	9,717,780
Tuition	457,467	419,226	499,988	403,849	411,532	455,341	367,093	464,849	430,670	370,602
Other	1,038,786	1,064,108	1,100,421	988,553	1,149,205	1,318,305	991,521	1,281,207	1,333,958	1,333,909
Intermediate sources	626,271	1,019,120	780,109	-	-	-	-	-	-	-
State sources	17,394,389	16,446,160	15,668,957	13,918,723	13,974,218	13,419,220	11,402,099	12,724,222	12,570,040	11,330,164
Federal sources	1,163,677	1,124,484	1,011,354	955,682	1,278,475	1,520,040	2,167,416	923,057	676,239	721,238
Total	\$ 30,156,872	29,292,868	28,141,519	27,499,556	28,237,593	28,891,132	26,185,737	26,246,487	25,483,909	23,473,693
Expenditures:										
Instruction:										
Regular	\$ 11,009,002	10,697,685	10,327,186	9,312,713	11,401,282	10,961,840	8,903,708	11,152,143	10,384,722	9,868,246
Special	3,424,298	3,652,145	3,184,371	3,260,109	3,275,577	3,563,746	2,997,637	3,406,674	3,388,218	3,020,880
Other	3,347,823	3,261,827	3,313,926	3,164,858	2,267,344	959,376	3,068,217	940,267	940,488	1,124,062
Support services:										
Student	1,001,215	1,068,293	888,208	893,712	845,203	994,417	968,129	724,780	1,066,298	1,054,735
Instructional staff	1,841,175	1,069,872	981,945	1,164,817	1,017,821	910,597	708,946	638,459	1,665,423	709,316
Administration	2,247,017	2,243,596	2,252,184	2,083,234	2,218,080	2,151,082	2,322,729	1,920,698	2,045,547	1,884,408
Operation and maintenance of plant	2,589,163	2,586,623	2,548,771	2,687,480	2,660,588	2,656,109	2,359,739	2,315,972	2,390,151	2,357,837
Transportation	1,060,422	1,282,518	1,264,188	1,154,055	1,062,812	1,101,265	1,222,923	1,108,991	862,566	866,161
Non-instructional programs	4,660	5,005	-	1,600	-	-	-	-	-	-
Other expenditures:										
Facilities acquisition	671,774	783,129	488,526	420,558	197,786	318,681	227,063	320,261	365,915	183,391
Long-term debt:										
Principal	1,087,381	1,309,003	1,719,638	1,631,068	2,784,182	8,974,842	4,920,000	3,955,112	5,295,000	1,795,000
Interest and other charges	25,919	53,121	91,517	130,038	170,783	433,766	522,988	741,553	775,626	795,514
AEA flowthrough	1,035,654	1,004,885	943,672	907,800	893,027	984,199	954,301	857,815	808,080	751,761
Total	\$ 29,345,503	29,017,702	28,004,132	26,812,042	28,794,485	34,009,920	29,176,380	28,082,725	29,988,034	24,411,311

See accompanying independent auditor's report.

Schedule 10

Oskaloosa Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 16	\$ 130,092
National School Lunch Program	10.555	FY 16	611,967
			<u>742,059</u>
Team Nutrition Grant	10.574	FY 16	<u>500</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 16	<u>552,352</u>
Career and Technical Education - Basic Grants to States	84.048	FY 16	<u>36,558</u>
Twenty-first Century Community Learning Centers	84.287	FY 16	<u>75,600</u>
English Language Acquisition State Grants	84.365	FY 16	<u>4,706</u>
Improving Teacher Quality State Grants	84.367	FY 16	<u>98,362</u>
Grants for State Assessments and Related Activities	84.369	FY 16	<u>9,412</u>
Area Education Agency (GPAEA):			
Special Education - Grants to States	84.027	FY 16	<u>124,694</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	FY 16	<u>1,770</u>
Total			<u>\$ 1,646,013</u>

See Notes to Schedule of Expenditures of Federal Awards.

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award of the Oskaloosa Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Oskaloosa Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flow of the Oskaloosa Community School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles on OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Oskaloosa Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$92,400 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of
Oskaloosa Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Oskaloosa Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oskaloosa Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oskaloosa Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Oskaloosa Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control which we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oskaloosa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Oskaloosa School District's Responses to the Findings

Oskaloosa Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Oskaloosa Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Oskaloosa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 30, 2017



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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of Oskaloosa Community School District:

Report on Compliance for Each Major Federal Program

We have audited Oskaloosa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Oskaloosa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oskaloosa Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oskaloosa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Oskaloosa Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Oskaloosa Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of Oskaloosa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oskaloosa Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oskaloosa Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 30, 2017

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) Oskaloosa Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-16 Certified Budget – Expenditures for the year ended June 30, 2016, did not exceed the amended certified budget.
- IV-B-16 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-16 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-16 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-16 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- Recommendation - The certified enrollment data should be corrected.
- Response - The Iowa Department of Education and the Iowa Department of Management will be notified of the error.
- Conclusion - Response accepted.
- IV-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-16 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-16 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-16 Deficit Balances - The Enterprise Fund-Student Construction and Enterprise Fund - School Nutrition had deficit balances as of June 30, 2016. The Special Revenue Fund-Student Activity had several individual account deficit balances as of June 30, 2016.
- Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.
- Response - We are monitoring these situations. We are currently analyzing alternatives to reverse these deficit balances. We must also note that the overall fund balance in the Student Activity Fund is positive.
- Conclusion - Response accepted.
- IV-L-16 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Oskaloosa Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

- IV-M-16 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,657,932
Revenues/transfers in:			
Sales tax revenues	\$	1,139,982	
Other local revenues		97,979	
Intermediate source revenues		626,271	1,864,232
			<u>4,522,164</u>
Expenditures/transfers out:			
Instruction		809,248	
Support services		9,009	
Facilities acquisition		531,393	
Transfers to other funds:			
Debt service funds		1,085,919	2,435,569
			<u>2,435,569</u>
Ending balance		\$	<u>2,086,595</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.